

The Global Newspaper
Edited and
Published in Paris
Printed simultaneously
in Paris, London, Zurich,
Hong Kong, Singapore,
The Hague, Marseilles, Miami

INTERNATIONAL Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

No. 32,312

3/87

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PARIS, TUESDAY, JANUARY 13, 1987

ESTABLISHED 1887

U.S. Gave Iran And Iraq False Intelligence Data

By Stephen Engelberg

New York Times Service

WASHINGTON — American intelligence agencies provided Iran and Iraq with deliberately distorted or inaccurate intelligence data in recent years to further the Reagan administration's goals in the region, intelligence sources said.

The sources said, for example, that assessments of a Soviet threat provided to Iranian officials were "doctored" to exaggerate the size of Soviet troop concentrations on the Iran border.

At the same time, the sources said Sunday, some information derived from satellites that was shared with Iraq was altered to make it misleading or incomplete. One source said, for example, that the images were cropped to leave out important details.

The White House spokesman, Larry Speakes, said Monday that he could not confirm that U.S. intelligence agencies provided dis-

torted or inaccurate information to Iran and Iraq, Reuters reported.

"That's one of those things I don't know," he said, adding: "It is not now the policy. Whether it was in the past, at any given time, I just can't answer."

State Department officials said

Casualties mounted in the Gulf war, but with little change in advantage. Page 6.

last month that the United States had periodically supplied Iraq with military intelligence over a two-year period, although there was no indication then that any of the information was false.

The officials said the information had been shared in an effort to prevent either Iran or Iraq from prevailing in their conflict.

Administration officials acknowledged that the covert operations aimed at Iran and Iraq were often in conflict, both with each other and with the diplomatic goals being pursued through the State Department. According to intelligence sources, the United States took these actions simultaneously:

• It sold weapons to Iran.

• It provided covert assistance to ethnic groups trying to overthrow the Iranian government.

• It gave reliable intelligence on the infiltration of Soviet agents into the Iranian Communist organization.

• It shared unreliable or incomplete intelligence information with Iran and Iraq.

One administration official who has since learned of these operations termed them a "hodgepodge" that, taken together, reflected a lack of deeper thought or understanding of the region. He said that the main focus of the White House's strategic thinking had been aimed at countering the Soviet threat.

Mr. Kampelman is to continue in his role as the chief U.S. negotiator in Geneva.

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LATE NEWS

U.S. Promotes Kampelman

WASHINGTON (AP) — President Ronald Reagan on Monday promoted Max M. Kampelman, the chief American negotiator to the Geneva arms talks, to serve as counselor of the State Department.

Mr. Kampelman is to continue in his role as the chief U.S. negotiator in Geneva.

INSIDE TODAY



Revising the Reagan Agenda

As Troubles Mount, White House Pares Programs

By Steven V. Roberts

New York Times Service

WASHINGTON — Hampered by political and physical ailments, President Ronald Reagan has pared down his agenda for his final two years in office, and will focus on protecting gains made in past years rather than on promoting new programs, according to White House officials.

In conversations last week, these officials said the administration would concentrate on such priorities as preserving lower tax rates, continuing aid to the Nicaraguan rebels and maintaining a steady buildup in military strength. One of the few areas that could lead to a major new effort is arms control, the officials say, but all they can muster right now is a "restrained optimism," as one put it.

In public, administration image-makers are portraying Mr. Reagan as a commanding and energetic figure who intends to push ahead on a broad front for the rest of his term.

"He will continue to be a very powerful force in setting the agenda," a White House aide insisted.

To reinforce that impression, the administration will try to use the State of the Union Message, scheduled to be delivered Jan. 27, to highlight some new proposals under the rubric of "competitive optimism." The package is likely to in-

clude ideas that would enhance the U.S. trading position through better training and higher productivity, rather than through retaliation against trading partners.

But in private, even some of Mr. Reagan's senior advisers concede that he has lost a significant amount of his ability to shape public policy and that the administration will be playing more defense than offense in the months ahead.

Some waning of political power is inevitable over the last two years of any presidency, but Mr. Reagan's problems have been aggravated by three factors: the electoral victories that gave the Democrats control of the Senate, the drumming distortion of the Iran arms controversy and Mr. Reagan's health which has put the White House staff on hold in recent weeks and delayed work on the State of the Union Message.

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GENERAL NEWS

■ Nikolai L. Rykov, the Soviet prime minister, is a moderating force in the Kremlin's power structure. Page 6.

■ Canadian officials are questioning whether the United States is serious about fighting acid rain. Page 3.

■ Owens-Illinois Inc. has turned down a \$3.34 billion takeover bid. Page 9.

■ The New York Giants defeated Washington, 17-0, and will face the Denver Broncos in the Super Bowl on Jan. 23. Page 15.

Takeover Tactics Are the Real Target As London Inquiry Aims at Guinness

By Warren Gelner
International Herald Tribune

LONDON — Just months after the Ivan F. Boesky insider-trading scandal rocked New York financial markets, London itself is in the midst of a widening official investigation into questionable corporate takeover tactics that is expected to lead to tighter government regulation of London's active mergers and acquisitions market.

The investigation, launched Dec. 1, appears to have temporarily cut short the careers of at least two of Britain's more promising corporate personalities and threatens others.

Significantly, there are growing indications that Mr. Boesky is a central focus of the investigation into the contested takeover by Guinness PLC of another U.K. beverage group, Distillers Co. PLC.

The \$4 billion takeover last April was among the largest ever in Britain and helped build the reputation of London as second only to New York in the takeover market. The value of takeovers here amounted to more than £1 billion in the first three quarters of 1986, up from £5 billion a year earlier.

London Stock Exchange officials hinted in early December that the U.S. Securities and Exchange Commission had passed along information about a possible link between Mr. Boesky and Guinness, one of Britain's best-known companies.

Six weeks after Britain's Department of Trade and Industry began investigating the Guinness bid for Distillers, Guinness's chairman and chief executive, Ernest Saunders, relinquished both posts for the duration of the inquiry.

Mr. Saunders has denied any wrongdoing and he remains on the payroll. But there is nonetheless considerable doubt that he will return to run the company. Sunday night, Guinness announced that Sir Norman Macfarlane, a Scottish businessman, would take over as acting chairman.

On Monday another resignation from Guinness raised speculation again about a link to Mr. Boesky. Olivier Roux, who was responsible for financial strategy and development, left the company, saying in a brief statement that he had written to company solicitors to advise

them of "certain facts" behind the Guinness bid for Distillers.

A company source, requesting anonymity, said that the contents of that letter were instrumental in convincing board members that Mr. Saunders should step aside.

Mr. Saunders, 51, has been a rising star on the British corporate scene, having taken a largely regional, family-owned concern and transformed it into a major multinational beverage group.

The Guinness affair appears also to have temporarily eclipsed a promising future in merchant banking for Roger Seelig, Mr. Seelig resigned recently as the chief merger and acquisitions specialist at Morgan Grenfell & Co. Ltd., a leading British merchant bank. Morgan Grenfell was merchant bank adviser to Guinness before reluctantly withdrawing from that role.

Although government investigators have brought no charges of wrongdoing, numerous reports in the British press allege possibly illegal reciprocal financial links between Mr. Boesky and certain directors at Guinness.

According to the reports, a \$100 million Guinness investment in one

of Mr. Boesky's arbitrage funds may have been tied to heavy purchases of Guinness shares that Mr. Boesky allegedly made in the final stages of the takeover bid.

The British inquiry reportedly focuses on a possible criminal breach of the British Companies Act, which prohibits a company from providing financial inducements to another company to buy out its shareholders.

Diplomats said they were puzzled by Hu Yaobang's failure to make public appearances or statements in the last two weeks. His silence stood in stark contrast to the multitude of statements being made by other officials about the

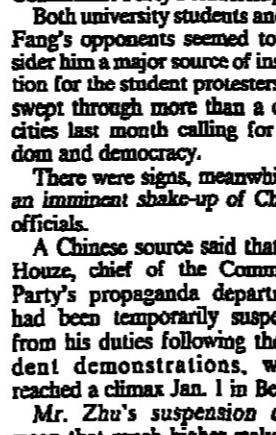
See GUINNESS, Page 2

Guinness's bid for Distillers. The question is whether one or more Guinness directors, acting without shareholder knowledge, may have agreed to the terms of the bid.

See GUINNESS, Page 2



Ernest Saunders



Sir Norman Macfarlane

Guinness's bid for Distillers. The question is whether one or more Guinness directors, acting without shareholder knowledge, may have agreed to the terms of the bid.

See GUINNESS, Page 2



Transportation Paralyzed as Europe Shivers Under a Cold Wave

Sheep in Sittingbourne, Kent, in southeastern England, on snowy pastures as Europe experienced some of its lowest temperatures in a quarter century. Icy winds and snowfalls caused numerous

deaths and disrupted transportation across the continent. The Soviet Union reported that the severe weather had stalled 25,000 railroad freight cars on tracks, delaying coal deliveries. Page 2.

U.S. Is Urged to Ease High-Tech Controls

By Stuart Auerbach

Washington Post Service

WASHINGTON — A study by the National Academy of Sciences found that attempts to keep high technology from Soviet bloc nations have not significantly improved national security but have cost the United States 188,000 jobs and \$9 billion a year.

In addition, the attempts "are having an increasingly corrosive effect" on U.S. relations with its allies, the study said.

The academy panel recommended ending the Defense Department's "de facto veto" over technology sales and easing U.S. controls on strategic exports to

match those of the North Atlantic Treaty Organization allies.

The committee was headed by a former air force chief of staff, General Lew Allen Jr. It includes Marvin Laird, a former defense secretary, and Bobby Ray Inman, former director of the National Security Agency and former deputy director of the Central Intelligence Agency. It also includes business executives and academics.

A preliminary draft report was made available to The Washington Post.

Export restrictions "have greater potential to damage the U.S. economy" than to "reduce exports to the East bloc," the report said.

"Executive branch decisions concerning national security export controls," it concluded, "should accord greater importance than they currently do to maintaining U.S. technical strength, economic vigor and allied unity."

The study sides with American business in a dispute that has split the Reagan administration. The Commerce Department and high-technology companies have pressed for the relaxation of export controls; the Pentagon has insisted

that the study is feasible only in the shrinking number of cases in which the United States is the only country possessing the technology," according to the study.

The study was started in 1984 after Congress, which also was split on the issue, failed to agree on how to renew the Export Administration Act. That forced the government to use its emergency powers to maintain the controls until Congress acted in 1985.

The defense and intelligence backgrounds of several members of the National Academy of Sciences committee gives the findings more weight than if they had come from a group solely composed of academics and business executives.

But Richard N. Perle, assistant secretary of defense for national security policy, criticized the report because there were business representatives on the committee, including officers of Hewlett-Packard Co., the computer maker, and General Electric Co., which makes high-technology electrical and other equipment.

Mr. Perle described the report as "comments by a group of largely interested parties about public policy that affects their financial interests." He added that the membership is "predominantly

executives."

The official press agency Xinhua said Monday night that the Communist Party and government decided to dismiss Guan Weiyan, president of the University of Science and Technology of China in the eastern city of Hefei, and Fang Lizhi, the university's vice president.

The dismissals occurred as signs increased that a shake-up of top Chinese officials was imminent. Among those mentioned as possible targets was Hu Yaobang, the general secretary of the Chinese Communist Party, who has not appeared in public in two weeks.

The official press agency Xinhua said Monday night that the Communist Party and government decided to dismiss Guan Weiyan, president of the University of Science and Technology of China in the eastern city of Hefei, and Fang Lizhi, the university's vice president.

Mr. Fang, 50, an astrophysicist, had been a hero for many student demonstrators in recent weeks because he advocated independent thinking and more democratic political processes.

Mr. Fang's supporters accused him of calling for the "complete Westernization" of China.

They charged that he stirred up student unrest and rejected the Communist Party's leadership.

Both university students and Mr. Fang's opponents see him as a major source of inspiration for the student protesters who swept through more than a dozen cities last month calling for freedom and democracy.

There were signs, meanwhile, of an imminent shake-up of Chinese officials.

A Chinese source said that Zhu Houze, chief of the Communist Party's propaganda department, had been temporarily suspended from his duties following the student demonstrations, which reached a climax Jan. 1 in Beijing.

Mr. Zhu's suspension could mean that much higher stakes are involved. Some observers felt a top-level shake-up could be the making that would lead well beyond Hefei university and the party propaganda department.

These reports were denied by Prince Edward, who has decided to resign from the marines. Buckingham Palace said in a brief statement that ended days of speculation. "Edward leaves the marines with great regret but has concluded that he does not wish to make the service his long-term career."

Prince Edward was the year-long Royal Marine officers training course four months ago. After reports last week that he was reconsidering his marine commitment, there were many remarks in the tabloid press that Prince Edward was not physically tough enough for the rigorous training.

These reports were denied by the prince's marine commanders, but they expressed "disappointment" at the prince's decision.

"It was his own decision," said Prince Edward's former commanding officer, Colonel Ian Moore, "but we in the Royal Marines will soldier on."

According to the tabloids' veterans of the royal family, the prince's decision split the family.

His father, Prince Philip, and one of his brothers, Prince Andrew, reportedly urged him to at least finish his one-year training tour for the sake of the family image.

However, Prince Charles, heir to the throne, and the queen were said to be sympathetic to the idea that

EC Currencies Adjusted After EMS Dispute

By Peter Maass

International Herald Tribune

BRUSSELS — European Community finance ministers agreed Monday to a mild realignment of the European Monetary System following acrimonious negotiations that underlined the weakness of the EMS.

The ministers adjusted the West German mark and the Dutch guilder upward by 3 percent, while the Belgian and Luxembourg francs were revalued 2 percent. The other EMS currencies remain unchanged.

West European bankers, government officials, foreign-exchange dealers and diplomats expressed highly skeptical views about the meaning of the agreement. (Page 9).

An American banker in Paris called the agreement "patchwork." Libération, a French leftist daily newspaper, described it as a "psychological devaluation" of the franc.

Reaction on foreign-exchange markets was mixed, with many dealers dismayed at the decision not to devalue the weak French franc.

The franc failed to rise to its new ceiling rate, but performed well in Paris against non-EMS currencies.

In New York, the dollar was lower against most major currencies. Dealers said the revaluation of the mark was less than expected. (Page 13.)

"What happened is not particularly damaging," said an EC diplomat, referring to the contentious realignment process. "But it certainly hasn't been good publicity for the system. We should come up with

Europe's Freeze Causes Deaths, Disrupts Transport

Reuters

MOSCOW — Icy winds and snowfalls caused deaths and brought disruption of transportation across Europe on Monday as the continent experienced some of the coldest weather in 25 years.

The Soviet Communist Party newspaper Pravda said the severe cold had created a critical situation for rail transport, with more than 25,000 freight cars stalled on tracks and coal undelivered. The first part of January has been the coldest since 1950.

Elsewhere, bitter winds across Northern Europe causing temperatures to plunge to record lows in some places. Snowfalls blocked roads and villages, cut some Central Europe border crossings and brought chaos to transport in cities.

In Hungary, helicopters rescued stranded motorists and bus passengers. Ice floes halted shipping in the upper Danube.

REAGAN: A Pared Agenda

(Continued from Page 1) that can command a grass-roots constituency.

Representative Thomas S. Foley of Washington, the new leader of the Democratic majority, said: "Long before Iran, this administration was without any particular capacity to make its existing threads agenda real."

For all the talk about drift in the White House, most political experts agree that Mr. Reagan retains enormous personal appeal for the voting public. And administration officials maintain that he stands ready to exploit that popularity, as he has many times in the past, should Congress try to repeal his accomplishments.

"The president," said a senior adviser, "can talk about issues directly with the people and force the process to follow. He is as effective on TV now as he's ever been."

Moreover, while Congress might have the capacity to block new administration steps, Mr. Reagan retains a similar veto power over many proposals emanating from Congress. As a result, bipartisan cooperation between both branches of government will probably be necessary for significant progress on most major issues.

Democratic leaders have been calling for a meeting between Congress and the White House to forge a compromise package of deficit-reduction measures to protect all sides from political retaliation.

White House aides say they are encouraged by such talk of cooperation, but they add that Mr. Reagan remains adamantly opposed to any new taxes. And for now, that remains an insuperable obstacle to any budget compromise.

In the Reagan view, lower tax rates are the key to economic prosperity. An adviser said, "Probably his most important policy is protecting the recovery."

A second area where Mr. Reagan will be fighting to preserve past victories is aid to the Nicaraguan rebels. They received \$100 million last year, and the White House budget proposes a continuation of the aid to the rebels, or contras.

Mr. Reagan also called for a 3 percent increase in the Pentagon budget, and a White House aide predicted a "wholehearted" Reagan push for something approaching that figure. The president remains particularly committed, the aide added, to more money for a space-based shield against missiles.

In addition, administration officials said, the State of the Union Message will probably include proposals in these areas:

• The budget process. Mr. Reagan still wants a constitutional amendment mandating balanced budget, but aides acknowledge that the idea is going nowhere. They think they have a better chance with a proposal to give the president greater power to rescind spending that has already been approved.

• Catastrophic health insurance. A bitter fight is going on in the administration over how large a program to propose, and what role the private sector should play.

• Welfare. The president is likely to suggest giving states greater leeway to experiment with ways of reducing the dependence of welfare recipients.

Doe Forbids Sunday Trading

Reuters

MONROVIA, Liberia — President Samuel K. Doe of Liberia has banned the sale of goods on Sunday, calling it a sin.

Visiting New York City?
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Distinguished 500 room hotel with excellent Restaurant, Cocktail Lounge, Room Service and Piano Bar. Overlooking Gramercy Park with newly decorated rooms. Singles \$90-100 Doubles \$95-105 Suites \$125-200 Group rates and attractive monthly rates available. Call Gen. Mgr. Tom O'Brien (212) 475-4320 Telex 668-755 Cable GRAMPARK 21st St. and Lexington Ave. New York, NY, USA 10010 or call your local U-tell office.



President Ronald Reagan working on his State of the Union message in his White House study, after his hospital stay for a prostate operation. The message will be delivered Jan. 27.

DISTORT: U.S. Gave False Intelligence to Iran, Iraq

(Continued from Page 1)

et threat without attention to other nuances of regional problems.

A White House aide said the secret dealings with Iran and Iraq reflected the thinking of officials such as William J. Casey, the director of the Central Intelligence Agency; Vice Admiral John M. Poindexter, the former national security adviser; and Donald R. Foster, a senior deputy of the National Security Council staff who died last year.

This official said that Mr. Casey, Admiral Poindexter and Mr. Foster supported the view that covert operations could bring about major geopolitical changes, such as an opening to Iran.

The operations were largely planned without consulting the regional experts in the Pentagon, the State Department or, in some instances, on the National Security Council staff.

Some intelligence officials said that the idea of feeding disinformation to other countries was untrue because it devalued the credibility of accurate information that might be shared in the future.

But Admiral Poindexter supported at least some uses of disinformation. In a memo that became public last year, he favored planting false items in the press in a campaign against Colonel Gadhafi, the Libyan leader.

Congressional and administrative officials say that underlying the American covert efforts in the region was a failure of the Central Intelligence Agency to gather much useful information about Iran in the period between 1979, when Shah Mohammed Reza Pahlavi

was overthrown, and 1985, when the secret dealings began.

The officials say this meant that when the administration began exploring closer ties to Iran, it was almost completely dependent on Manucher Ghorbanifar, an Iranian arms dealer arranging the weapons sales, to tell them what was happening in Iran.

The administration used Mr. Ghorbanifar despite official doubts about his credibility. In late December 1983, Mr. Casey was so suspicious of Mr. Ghorbanifar that he wrote a memo to President Ronald Reagan outlining his concerns and saying that the agency was about to administer a lie-detector test to the Iranian, according to a government official.

An administration official said that Mr. Ghorbanifar was so close to the test. The examiner judged Mr. Ghorbanifar to be lying about almost every response except when he was asked his name.

Report Cites Violations

In the course of the arms-selling operation with Iran, the White House and the CIA violated several statutes and regulations and consistently failed to monitor the program adequately, according to reports drafted by the staff of the Senate Select Committee on Intelligence but later deleted by the full committee, the Washington Post reported.

The reports said the following: • The executive branch did not comply with the Intelligence Oversight Act of 1980, which requires the president to "fully inform" the House and Senate intelligence committees "in a timely fashion" of foreign intelligence operations.

But it was only after he expressed these concerns early in October to a CIA deputy director, Robert M. Gates, that the top echelons of the agency began a serious review.

Mr. Allen subsequently became worried about the security of the program and the potential for embarrassment to the United States from premature disclosure.

The committee said the United States and its allies hold a five-to-10-year technological advantage over the Soviet Union.

The report cited the following:

• The executive branch did not comply with the Intelligence Oversight Act of 1980, which requires the president to "fully inform" the House and Senate intelligence committees "in a timely fashion" of foreign intelligence operations.

• The program was not adequately monitored. In September 1985, Charles Allen, a national intelligence officer, was given the task of acquiring more data on the shipment of U.S. arms to Iran, just begun by Israel. Through various means, Mr. Allen soon began to get "glimpses" of money moving into non-American accounts in Switzerland from various middlemen.

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According to Xinhua, meanwhile, a party Central Committee member who announced the dismissal of Mr. Fang accused the astrophysicist of making "many erroneous statements of bourgeois liberalization" and of deviating from the four principles that include upholding the Communist Party's leadership.

The Central Committee member was identified as Zhou Guangzhou, a vice president of the Chinese Academy of Social Sciences, who spoke to a university audience.

Xinhua said that Li Guixian, secretary of the Communist Party Committee of Anhui province, also denounced Mr. Fang.

Mr. Li told the same university audience in Hefei that Mr. Guan, the outgoing president of the university, was being "held responsible for the nationwide bad influence caused by the student unrest in the university."

It was at this university that the first of a series of pro-democracy demonstrations occurred Dec. 5. The main issue for students at the time was broader participation in a local election. But later demonstrations in other cities broadened the demands to a more general call for democracy and freedom.

Mr. Speakes is leaving the administration to work for the Wall Street investment firm of Merrill Lynch.

Mr. Fitzwater, now Vice President George Bush's spokesman, has also served in top positions at the Environmental Protection Agency and the Treasury Department.

He worked for several Kansas newspapers before joining the government in 1965.

Mr. Hu is old comrades in arms going back four decades. The two served together in the Red Army from the early 1940s onward.

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Mr. Fitz

INTERNATIONAL HERALD TRIBUNE

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

A Menace to Europe

The latest French-German dispute over exchange rates has been resolved by revaluing the mark against the franc. The process leaves a bad taste. The political quarrel, conducted in economic terms, was an economic nonsense.

European countries are supposed to keep their exchange rates more or less in line except when fundamental economic divergences make that impossible. The advantages of stability are plain. Business can make investment decisions on a rational basis without constant guessing about how changing exchange rates are going to affect costs and profits in the short term. But when economic divergences — and market expectations — become important, exchange rates have to shift and no good can come from delay.

Three factors made the relationship between the franc and the mark uneasy in recent weeks. Faith in the dollar weakened, so investors began to move into other currencies; they chose the mark, not the franc, and this automatically strained the exchange rate between France and West Germany. Second, the difference between French and West German inflation rates again became evident: France has reduced its inflation remarkably, but West Germany has done even better. Both factors rendered the existing parity between the two currencies untenable. In anything but the very short term, attempts to buttress it were doomed.

A third factor was fears about the effects on the French economy of the wave of strikes and possible civil discord. This factor could have been countered, at least temporarily, by resolute action on both sides of the Rhine to defend the existing parties. That is very much what the Euro-

pean Monetary System is for. The Chirac government sought, albeit ineptly, sensible changes in education and in pay structures but with insufficient prior consultation. It has yet to be shown that the terms for settling the strike have wrecked France's stabilization program, but given the other two factors, the unrest added to pressure on the franc.

Once a new parity shift had become inevitable, it was ridiculous — and politically harmful — to argue whether the franc should go down or the mark go up. Either way, the results are the same: French import prices, and therefore inflation, rise a little and West German exports become slightly less competitive. Suggestions by the Paris government that the franc is sound but the mark undervalued have little economic meaning. They only reflect the childish idea that the exchange rate in itself is a sign of national virility. The French public could hardly be seduced by such reasoning. And the Bonn government's attempt to delay revaluation till after the Jan. 25 elections to avoid loss of votes insulted the intelligence of West German voters.

The European Community was built in the belief that political tensions could be defused if economic tensions were relaxed. In past weeks the governments of France and the Federal Republic have jeopardized this edifice by harnessing false economic arguments to narrow political aims. Differing economic conditions east and west of the Rhine have to be recognized if European unity is not to move back behind square one. This is probably not the last time the French-German exchange rate will have to shift.

INTERNATIONAL HERALD TRIBUNE

Sharpening the KGB

Wonder is being expressed over the front-page article in Pravda by the chief of the KGB announcing the dismissal of one of his officers in the Ukraine who illegally arrested a local investigative reporter. He is trained as a lawyer, and this is the function of law in Soviet society.

Although some Soviet citizens admire Western norms, most seem content to settle for order and regularity, and they will perhaps be cheered to read of the progress of Soviet legality, such as it is.

The rest of us might keep in mind that it is not the irregular abuse of power by the KGB that makes the Soviet Union unfree but its routine exercise of power.

The KGB is utterly repressive even when it operates in a perfectly legal way. The laws it enforces are enacted by a small, self-perpetuating elite unaccountable to any standard or body beyond itself, and those laws give the state a measure of authority which, even in a context of full legality would be grotesque by the measure of a democratic society. For instance, Soviet law in its majesty permits confining dissidents in mental asylums and drugging them. A squeaky-clean KGB would have the Soviet Union a perfect police machine.

— THE WASHINGTON POST

He Doesn't Really Care

President Reagan has railed against big deficits for five years now, but his budget for 1988 offers fresh proof that he does not really care. His outrage about "big spenders" is little changed. His priorities remain the same: Spend more for defense, but raise no new revenues. And the results remain the same: a mendacious federal budget and unacceptable deficits.

The deficit matters, a lot. The United States is not fulfilling its economic capacity, human or industrial. A big reason is that the budget deficit is still out of control. Mr. Reagan says his program will cut it to \$108 billion next year; nonpartisan forecasters are more than five billions higher.

The president boasts of four years' economic expansion. But in his first year there was a deep recession. Growth since then has been below par. Not until last month did the rate of unemployment fall to its pre-Reagan level. A growing economy? The farm belt, the oil patch, timber country and other regions ask: "What growth?"

The government's mammoth borrowings, year after year, hold interest rates up. Lower rates could stimulate faster growth, but the Federal Reserve fears inflation and a sudden outflow of funds that foreigners have invested in the United States. That investment, attracted by the interest rates

and the expanding sectors of the economy, has made it possible to finance the budget without still higher interest rates. But foreign investors' heavy demand for the dollar props up its value. This has put higher prices on American exports, which have slumped, and lower prices on imports, which soared. The setback to American jobs and production will last for years.

Meanwhile, because foreign earnings on investments in America now exceed American earnings abroad, part of domestic growth must cover these obligations to foreigners rather than add to U.S. living standards. The political effects could be just as harmful. Congress chafes to raise protectionist barriers. That will not solve America's problem and will injure others, particularly debt-ridden developing countries.

The administration no longer pooh-poohs the menace. The new budget says:

"If this deficit is not brought under control by limiting government spending, we put in jeopardy all we have achieved." All the more reason to mourn Mr. Reagan's unwillingness to cap military spending or raise revenue. If the country is to prosper, one or both will have to occur.

For the sixth time in six budgets, the president cannot be taken seriously.

— THE NEW YORK TIMES

Other Comment

Trade War Affects Everyone

The fissure in trans-Atlantic relations became official on Dec. 30 when President Ronald Reagan announced a tenfold increase in duties on 11 European Community products in retaliation for the loss of access to grain markets in Spain. But what we see here is only the tip of the iceberg.

Certainly the European Community is not going to roll over and play dead. Its officials have said that the U.S. action will

not go unanswered. We can only hope that the dispute will not escalate into a trade war, which would be tragic.

Leaders on either side of the Atlantic should realize that their economies are the wellspring of world prosperity and that their cooperation, though imperfect, means much for world peace. They cannot afford to stray from the course too often. It must be possible for both sides to talk things over with cool heads and understanding hearts.

— The Bangkok Post

INTERNATIONAL HERALD TRIBUNE

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92290 Neuilly-sur-Seine, France. Tel.: (1) 46.37.93.00. Telex: 61395; Circulation, 12232; Editorial, 612718; Production, 630696.

Direktor de la publicación: Walter N. Thayer.

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S.A. au capital de 1.300.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 61337

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OPINION



Hostage Policy: First Cool It, Then Try Ingenuity

By Philip Geyelin

WASHINGTON — In defending the Reagan administration's handling of its Iranian hostage crisis at a breakfast with reporters just after the story broke, Dan Regan, the White House chief of staff, was driven by his disbelieving listeners to the heart of the matter: a question that will be with Americans long after the investigations have run their course.

Mr. Regan had run through the familiar formulations involving the geostrategic interests in dealing with "moderate" Iranians. The arms-for-hostages deal was a mere "by-product," he insisted, no more a "swap" than the trade with the Soviet Union for journalist Nicholas Danoff. At that point, the smirking set Mr. Regan off. "You're entitled to your opinion," he exploded, then added: "What's a human life worth?"

It was a valid question, the more so in the context of his next question: "If you're taken, or if one of your relations is taken, what would you have as do?" The easy answer: Don't sell arms to the Khomeini government, or double-cross American allies, or scrap established counter-terrorist principles, or conduct policy from the White House basement or skim the arms profits to the contras, or violate laws, or flout the will and legitimate interests of Congress.

Not wholly accountable. Elected leaders have their own responsibility to avoid inflaming public passions in a way that in turn generates unhelpful pressure on them. I have in mind the president's high-profile, cross-country visits to the families of the TWA hostages and his photo-opportunist White House celebrations of released hostages on their return.

Not once has President Reagan been heard to remind Americans that the State Department has been regularly issuing advisories since 1975 warning Americans not to travel to Lebanon, urging those who are there to leave and stressing how little their government can do to protect them.

So one short answer to the question of what the government "is supposed to do" is: Cool it, or, as a top terrorist expert in Washington puts it more bluntly, "Shut up." By the means: End the vainglorious pro-

nouncements of unbending policy, such as Mr. Reagan's pledge in June 1985 that "America will never make concessions to terrorists [nor] ask nor pressure any other government to do so."

He made those remarks even as Robert McFarlane and Oliver North were opening up secret contacts with Iran in Europe and the administration was preparing to conspire with Israel on the sale of arms to Ayatollah Khomeini's government in exchange for help with the hostages.

Not even Israel, which is held up as a model of unqualified toughness in such matters, talks publicly in such absolute terms. Foreign Minister Shimon Peres recently spoke of the "moral dilemma" that terrorism poses. He saw not a "double standard" but an inherent conflict between an obligation to "fight terrorism in an uncompromising manner" and "respect for the lives of individuals."

So one short answer to the question of what the government "is supposed to do" is: Cool it, or, as a top terrorist expert in Washington puts it more bluntly, "Shut up." By the means: End the vainglorious pro-

negotiations for help with the hostages.

These statements, like others before them — some by President Reagan himself — leave no doubt that the administration's objective in organizing, arming and training the contras has been and still is the overthrow of the Sandinista government. Not only do Mr. Reagan and his men want the "democratization" of Nicaragua demanded by Mr. Abrams, they believe, or put forward as a plausible rationale, that Nicaragua also constitutes a clear and present danger to its peaceful neighbors.

There are numerous flaws in this position, aside from the fact that the Sandinista government obviously sees Honduras, with its big U.S. military presence and backing, as a shelter for contras and its superior air force, as anything but a peaceful neighbor.

It is grotesque for the United States to insist piously on the "democratization" of Nicaragua after Washington's long history of support — and sometimes, as in Guatemala in the 1950s, creation of — brutal and dictatorial Latin governments, not least the U.S. puppet regime of the Somozas under which Nicaragua suffered for so long and the continuing Pinochet dictatorship in Chile.

Even ignoring this shabby history, where is it written in law or in the U.S. Constitution that the United States is supposed to force democracy on other countries? And only on some countries at that?

As for Nicaragua's threat to its neighbors: Even stipulating that it exists, that the Reagan administration has not been able to prove, the United States never needed to counter it by organizing, supplying and training an army tainted with Somocistas, the CIA, and human rights abuses to overthrow a government that Washington recognizes.

Instead, with overwhelming support in the Western Hemisphere and from allies, Washington could state plainly that it will not tolerate any Soviet military base in Nicaragua, or any overt or covert attempt by Nicaragua to attack neighbors. That policy could be enforced at far less cost than the good money that President Reagan wants to throw after the bad already spent on the contras.

Mr. Abrams insists that the Sandinists will negotiate a Central American peace structure only if the United States keeps them under the military pressures of the contras. But it is far more likely that the Reagan administration's obvious determination to overthrow the Nicaraguan government is what keeps the Sandinists forced fighting.

For nearly 10 years the United States tried unsuccessfully to use military pressure to force North Vietnam into negotiating away its position. That war should have taught this administration that small nations do not always succumb to the power of large ones, and that Washington cannot win at the negotiating table what its surrogate army has been unable to wrest from a determined adversary on the battlefield.

The contras have shown no ability at any time to win popular support or to take and hold territory in Nicaragua. Nothing suggests that more U.S. dollars and more CIA training, or even Admiral Poindexter's crocodile tears, can improve that dismal record. The New York Times

'If It Would Help,' Walesa Would Leave Poland

By Jas Gawronski

GDAŃSK, Poland — People in Poland, eager for democratic reforms, are intrigued and hopeful about the Soviet "liberalization" under the leadership of Mikhail Gorbachev. But Lech Walesa, the leader of the outlawed union Solidarność, is wary. "For years we have been cheated and nourished by beautiful slogans that didn't reflect reality," he said. "Today we don't believe anything more; we prefer to wait for results."

Mr. Walesa, too, has been impressed by the "rosy images" projected from the Soviet Union via the press, but he is reluctant to take them at face value. "Probably we are more practical than those who live in the West. This time we could be wrong. Maybe this propaganda will be followed by concrete deeds. But I prefer to wait for them."

Still, he describes the release from internal exile of Andrei Sakharov, the Soviet dissident, as "splendid." He weighs even more heavily the fact that Mr. Gorbachev himself telephoned the physicist to tell him that he could leave Gorky.

Mr. Walesa does not expect to be welcomed by Mr. Gorbachev's Polish counterpart, Wojciech Jaruzelski. But he added, "If the general called me, it would be a good thing for Poland."

The union leader emphasized the step. Mr. Walesa also remains optimistic about the political situation:

"Today we live in a different Poland, a Poland that is going in the right direction." He added with satisfaction. "That wouldn't have happened if it weren't for us, for what we did."

The opposition is reaching maturity, Mr. Walesa said. "When we started, we weren't ready. First we fought; now we strive for positive realizations. Before, only one could win, us or the government. Today we can all win together."

He resents the complaints that occasionally

arise in the West that Solidarity is more noisy than effective. "Today Solidarity means absolutely needed reforms," he said. "We want changes and we want to discuss them with the other side." Yet Mr. Walesa does not consider his role essential in realizing those goals.

"If it would help the cause, I am ready to quit for good, to leave the country for 5 or 10 years."

"I would ask the prime minister," he added, referring to Cardinal Józef Glemp, "to whom I am not leaving because I am a coward."

Mr. Walesa is willing to bet that Solidarity's ideals have a 90 percent chance of triumphing. But he gives himself only a 5 percent chance of playing a leading role in that triumph.

After meeting me at the Gdańsk airport Mr. Walesa was followed by three cars, one which had police markings, overtook our car and halted it. An office politely asked me for my papers, noted my name and returned them with a salute.

"They follow me day and night, and they always want to know who I am talking to," said Mr. Walesa, fingering a medal of the Virgin Mary pinned to his sweater. "But I don't care. I used to it. Besides freedom is a state of mind."

He paused for a moment, then added with a smile. "Let me be frank: If I really want to get rid of them, I know how to do it."

The writer, an Italian member of the European Parliament and a former foreign correspondent, contributed this to the International Herald Tribune.

For Arms Intermediaries, Payoffs Are a Way of Life

By Said K. Aburish

This is the second of two articles.

ness one. He produces the right company for the right job, secures an agreement from that company and vouches that the agreement and its confidentiality will be honored. A hard-hearted charmer, he entices companies into giving away small percentages that turn into big money.

The biggest commission I ever heard of was a modest-sounding 4.5

percent. But because the deal (to build a telecommunications system in a Middle Eastern country) came to \$11 billion, the commission was \$495 million. That is a lot of money, even for a Middle East intermediary.

The intermediary is the discreet keeper of his master's secrets. The Saudi super-inter

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On Anniversaries of Murder You Don't Arm the Mullahs

By A.M. Rosenthal

NEW YORK — This thought came into my head and has been working away at me: Today is the anniversary of the murder of thousands of Jews, Poles, Russians, Gypsies and Ukrainians by the Germans. Tomorrow will be the anniversary of the murder of thousands of Jews, Poles, Russians, Gypsies and Ukrainians by the Germans. So was yesterday. So many human beings were murdered in those days of horror beyond grasp that every day truly can be considered an anniversary of the dead.

It entered my mind a day after I heard about the American-Israeli arms shipments to Iran. At first I did not make a clear connection between the two ideas

But the United States will be Satan again, unless of course it pays more political or military tribute.

preoccupying me — arms to Iran and the reality of the daily anniversary of death. I believe I did not make it because I was in Israel at the time, on a trip in the Middle East, and my mind simply rejected it. But I see the thought connection clearly now. That is, it is clear for me and has meaning for me.

The whole deal is one of those events in a country's history that have a particular kind of impact. They startle us and somehow that makes them take on a personal meaning. For myself it reached deep enough to fetch forward the connection to the Holocaust.

Ayatollah Khomeini is not Hitler. But there is a direct link between them, the same link that connects all truly dangerous men, a link of hatred so strong as to transcend all bonds of humanity. As a matter of fact, it is a hatred built on a vision of existence that excludes the very concept of a common humanity and divides those who live on this Earth into the good and the damned, those worthy of life and those not.

It is a vision that starts with words and slogans of a very particular kind, leads to a very particular ideological goal, and thence to the gas chamber or to the holy murdering ground.

The words are designed to create a world of apartheid for those who are to be excluded from the right to live. The words the Germans used under Hitler — vermin, parasites, Untermenschen — led to the goal of allowing the murderers and the watchers and the knowers in the German nation to think of the victims, especially Jews, as not really human.

From that goal to the gas chamber was not so much another step as simply part of the flow of the river of hate.

Ayatollah Khomeini and his preachers light the flame of hatred with a word: death. Death to America! Death to Zionists! Death, death, death, not just to nations but to all who oppose. Death to the hypocrites! Death to the traitors!

And, of course, the curse meant to cast the enemy out of humanity and into the pits of hell: Satan. Satan America. The satanic powers. The forces of Satan.

The Nazis used racial dehumanization to lead into the extermination chambers. The Ayatollah's Iran uses its technique of religious demonization, the good and the foul, Satan and the Blessed Ones to lead to that blasphemous ecstasy, Holy War, murder and death of God's children for the glory of God. And it is demonization that blinds Iranian-spawned terrorism to the humanness of their prey: American marines, Turkish Jews, Lebanese Christians, whenever they are targeted to kill. The very idea of hostage-taking, turning humans into objects of political trade, is sanctified dehumanization. It is not Iranian fanaticism; it is Iranian calculation.

In Jerusalem I spoke to the Israeli leaders. They were edgy and defensive.

They had their excuses — fear of Iraq, Iran's enemy; eagerness to please and oblige the United States. In America there was the talk about influencing "moderates" that nobody seemed to be able to identify by giving planeloads of arms to the extremist regime that the moderates were supposed to moderate somehow. Ayatollah Khomeini is not known for a sense of humor but he must be slapping his thigh still.

And now here come the Reagan administration and academic apologists with the happy news that because of the arms deal the United States is not being called Satan in Tehran quite as much as before and that Ayatollah Khomeini's preachers have promoted it to humbled giant. But the United States will be Satan again, unless of course it pays more political or military tribute.

Yes, talk to any government. But smuggle blackmail arms to the preachers of death? Hearings and investigations go on, smothering the immorality of the deal itself in detail about who did what. Courts and Congress are not needed to make judgments about the very idea of supplying arms to the dehumanizers. You can do that for yourself.

Out of respect, the rationalizations and excuses from Washington and Jerusalem should cease, out of respect for today's anniversary and tomorrow's. That much seems quite clear, to me certainly and perhaps to some others.

The New York Times

OPINION

Why Have Free Speech If No One Listens?

By Kurt Luedtke

the citizens choose to watch on television. I think we are entitled to question how in the world this electorate is entitled to be in charge of anything.

But we have no better idea. Americans can only hope that the rule of law and our willingness to abide by it will

MEANWHILE

protect us against the worst of which we are collectively capable.

It is the law in America, as in no other country, that the individual has an extraordinary right to personal expression. The First Amendment to the Constitution protects the right to speak and to publish; these rights and the degree to which they are safeguarded are the society's distinguishing characteristics.

For that we have only the courts to thank. Americans seem to be almost completely uninterested in any point of view other than their individual own.

We are absolutely up to our necks in

groups and blocs and religious and economic interests certain beyond all rea-



LETTERS TO THE EDITOR

The World Doesn't Live by Bread Alone

In a penetrating opinion column, "America Needs to Change Its World View" (Dec. 22), Senator Daniel Patrick Moynihan has called for a new American world view which would rely more on political economy and less on a "grand geopolitical idea" to address successfully the burning issues of our times.

It is certainly true that Marxism, as a philosophy of history, has failed to provide the right answers, whereas Leninism thrives on the very issues that Marxism could not solve, notably "racial, religious and tribal conflicts." Leninism is not a residual phenomenon. In fact it is spreading everywhere under many guises, even under the democratic guise.

In the deft hands of Indira Gandhi, the center used every lever at its disposal to achieve its only end: power. Today, in spite of or because of its very heterogeneity, the Indian polity has become a quasi "despotic democracy" in which the scope for debate is more limited than it ever was, where dissenters are few and where a kind of benevolent orthodoxy prevails on all the sensitive issues.

Meanwhile, the essential link between individual initiative or personal merit and the results has too often been distorted. A fallacious policy of jobs reservation pursued for two decades has introduced a kind of perverted caste system: The more backward your "community," the better your chance to enter a college and to grab a government job. Corruption thrives in such a system.

In the name of socialism, a vast array

of manipulative measures have been set in motion, the effect of which are to undermine the universities, the judiciary and local bodies and to politicize the social and civic climate. Many Indians observe these developments with dismay but prefer "exit" to "voice" so as not to betray their essential loyalty.

At the same time, a pragmatic alliance with the Soviets has developed into an enduring relationship which tends to preclude India from negotiating with its neighbors the difficult issues arising out of its natural hegemony in South Asia.

The challenge for India is first and foremost political, and only secondly economic. What should the answer be, on the part of Western policy makers?

India prides itself on having got rid of U.S. food help, however useful it may have been. Advice, if not requested, will be resented as interference.

Patiency, understanding and consistency, it seems to me, are the order of the day for the West. The Soviet Union has shown India those qualities over the years. The lesson should not be wasted, particularly in Europe, if we want to build or to keep an Indian connection.

JEAN ALPHONSE BERNARD,
Paris

To suggest, as Senator Moynihan does, that we are witnessing "the near collapse of Marxism as an ideological force in the world" is dangerous nonsense. No fewer than 30 countries, accounting for about half of the world's population, have become communist in

the 42 years since the last war. A number of other countries are strong candidates to become so in the near future, as the senator admits. "Political economy is the name of the next task, not geopolitics," he writes. But without a clear view of what we are defending — without a geopolitical view — the United States, and possibly her West European allies as well, will in the end be isolated in a communist-controlled world.

Marxist ideology is far from being a spent force. It is because of Marxism, grafted upon Russian messianism, that "Moscow Challenges the World," to quote the title of a recent book of mine.

To put America's economy in order, as Mr. Moynihan urges, is important, but it is not enough. A richer America will provoke antipathy rather than attract the underfed millions of the world.

The strength of Marxism, and of the power structure it has created, must be recognized before it can be repelled with an adequate response. That response must be ideological and spiritual.

Only the democratic ideal, allied with patriotism and ethnic pride, can provide it. Nations must be told that they can achieve freedom and well-being through democracy, which is not the appanage of the "advanced" rich. It was democracy that made them "advanced" and rich, not the other way around. The world should see America actively defending and promoting democracy everywhere. Only then are we on the right road.

ION RATTU,
London

son that they are correct, and actively interested in imposing their rules and values and self-selected morals on the rest. They prattle about democracy, and use it when it suits them without the slightest regard for what it means and costs and requires. These people, please believe me, dangerous.

The right to speak is meaningless if no one will listen, and the right to publish is not worth having if no one will read. It is simply not enough that Americans reject censorship and will not countenance suppression. We have an affirmative responsibility to hear the argument before we disagree with it.

I think that you think that you agree with me that you are fair and open-minded and good citizens. But if we put it to the test — if I make up some speeches about gun control, abortion, gay rights, racial and ethnic characteristics, political terrorism and genocide — I believe that I can make you boo and jeer or at least walk out in protest.

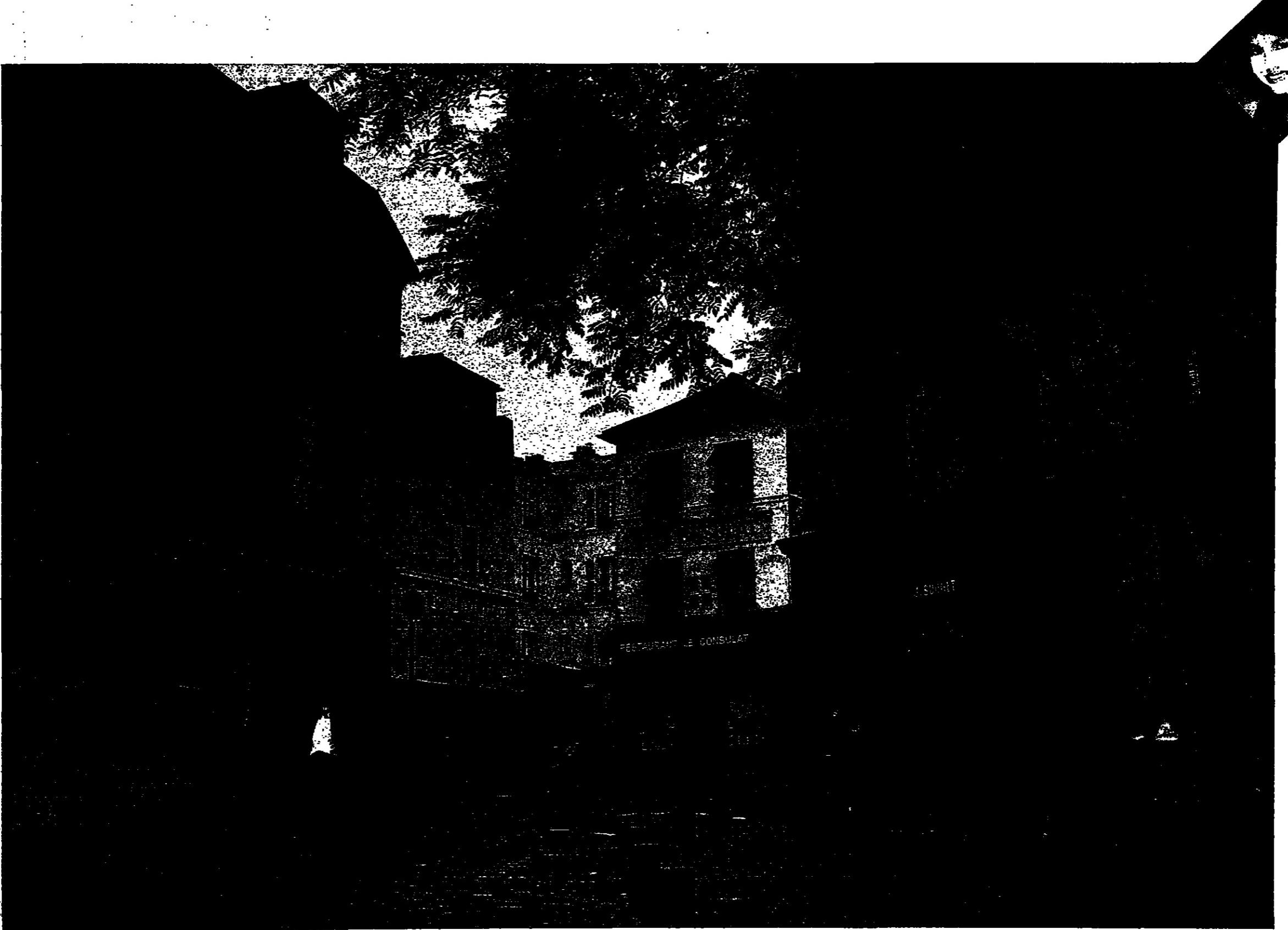
We cannot operate that way. It is not difficult to listen to the philosophy you agree with or don't care about. It is the one that galls that must be heard. No idea is so repugnant that it must not be advocated. If we are not free to speak heresy and utter awful thoughts, we are not free at all. And if we are unwilling to hear that with which we most violently disagree, we are not free at all. In that case we are no longer citizens but have become part of the mob.

Nowhere is the willingness to listen more important than at a university, and nowhere is our failure more apparent than at the university whose faculty members or students think that it is legitimate to parade their own moral or political purity by shouting down the unpopular view of the day.

If will not be a week, and certainly not a month, before you will become aware that someone in your own circle of influence is saying something or thinking something very wrong. I think you have to do something about that. I think you have to help them be heard. I think you are required to listen.

The writer, formerly an editor at the Detroit Free Press, won an Academy Award last year for his screenplay for "Out of Africa." This comment was adapted by the Los Angeles Times from his speech in acceptance of the William Rogers alumni award at Brown University in Providence, Rhode Island, last fall.

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A great way to fly
SINGAPORE AIRLINES

The Kremlin's 'Chief Welder'

Prime Minister Forges Links With Liberals, Hardliners

By Gary Lee
Washington Post Service

HELSINKI — Three days into a visit to Finland last week, Nikolai I. Ryzhkov seemed to find his element. A welder by training, the Soviet prime minister jumped onto a platform at a shipyard and engaged a Finnish welder, Lasse Sandberg, in an animated exchange about their common professional interests.

With his combined functions as prime minister, Central Committee secretary and member of the ruling Politburo, Mr. Ryzhkov, 57, is outranked only by the Communist Party chief, Mikhail S. Gorbachev, and the ideologist Yegor K. Ligachev.

Introducing Mr. Ryzhkov to Mr. Sandberg, Prime Minister Kalevi Sorsa of Finland captured the essence of Mr. Ryzhkov's combined tasks: "He is the chief welder of the Soviet Union."

Named to the 12-member Politburo 20 months ago, Mr. Ryzhkov is at the center of a conflict over radical economic change. He is also at the top of the huge bureaucracy that apparently is leading the resistance to the changes.

And he is considered a moderating force in the leadership trou-

pe, between the experiment-minded Mr. Gorbachev and the ideologically rigid Mr. Ligachev.

At a press conference Thursday, Mr. Ryzhkov couched endorsement of some of the publicized economic changes with assurances that Moscow will adhere to central planning and stay within the strict confines of socialism.

Apparently favoring managerial changes over market adjustments, Mr. Ryzhkov also defended the widespread personnel changes made by the new Soviet leadership.

As prime minister, he helped spearhead the expulsion of more than 40 percent of the ministers in his domain, replacing some with new managers trained, as was he, in the Urals at Sverdlovsk.

Wearing dark pinstripes, traveling with his assertive wife, Ludmila, fielding questions from journalists, Mr. Ryzhkov also used the four-day Finnish trip to demonstrate interest in closer relations with the West. The trip was his first state visit to a Western country.

Olli Kivinen, foreign editor of the Helsinki newspaper Helsingin Sanomat, said, "He made an impression as a reasonable man who

behaves in a very reasonable way."

Mr. Ryzhkov's style accredits his closeness to Mr. Gorbachev. Appointed a Central Committee secretary in 1982, when Mr. Gorbachev was forging ahead in the powerful party body, Mr. Ryzhkov gained a seat on the Politburo one month after Mr. Gorbachev assumed power.

"They emphasize different aspects of the reforms," a Moscow-based Western diplomat said, "but instead of clashing, the styles seem to complement one another."

The two share a penchant for directness. A Finnish official said Mr. Ryzhkov was straightforward about Soviet needs in high technology, for example.

"The best word to describe him would be businesslike," Mr. Kivinen said.

Even the joint communiqué released after the trip was stripped of the usual flowery language.

Mr. Ryzhkov plays the pivotal role of synthesizing the disparate calls for change from economic planners and transmitting them to factories and farms across the Soviet Union.

"As far as the planned economy is concerned, we are for that,"



Nikolai I. Ryzhkov, the Soviet prime minister, with his wife, Ludmila, during a reception in Turku, Finland.

Mr. Ryzhkov said at his press conference, an apparent assurance to those who have warned against too much decentralization.

"We are for state monopoly of the economy," Mr. Ryzhkov said, "but at the same time, we will give the right to large-scale enterprises to negotiate directly with foreign companies," a reference to the more startling changes.

Nakasone Visit to East Bloc Seen as Bid to Sway Kremlin

By Charles D. Sherman
International Herald Tribune

TOKYO — Prime Minister Yasuhiro Nakasone, who has been trying to get the Soviet leader, Mikhail S. Gorbachev, to visit Japan, is touring Eastern Europe this week in what political analysts believe is a move to attract interest by the Kremlin.

Sources said Mr. Nakasone's weeklong tour of Finland, East Germany, Yugoslavia and Poland was hastily arranged when Mr. Gorbachev refused to set a date to come to Japan. He had been invited to come at the end of the month.

The Japanese Foreign Ministry has been vague about the goals of Mr. Nakasone's trip to Eastern Europe, saying he hopes to strengthen already friendly relations and to improve East-West dialogue.

A Foreign Ministry statement said that Mr. Nakasone would deliver a policy speech Thursday in Belgrade to present Japan's views on East-West issues, including arms control.

Mr. Nakasone has said in recent press conferences that his tour of Eastern Europe and the possible visit by Mr. Gorbachev to Japan were not connected. But with no pressing issues to resolve between Japan and the four countries, attention has turned to Moscow.

The Yomiuri Shimbun said in an editorial that diplomatic efforts toward the East European countries would be "important in breaking the impasse in Japanese-Soviet relations."

A visit to Japan by Mr. Gorbachev

Some officials feel that Japan's overall approach to Moscow has been ill-planned, poorly handled and at times humiliating to the country.

chev would be a first for a Kremlin leader and could help Mr. Nakasone enhance his profile as a world leader and boost his efforts to remain in power.

According to Japanese press reports, the prime minister has hinted he would like another extension of his term in office. He has already served two two-year terms, which is the limit under the regulations of

his Liberal Democratic Party. However, the party beat its own rules in October and extended his term for another 12 months.

The months of maneuvering over the Gorbachev visit have caused dissension within the Nakasone government. Some officials feel that Japan's overall approach to Moscow has been ill-planned, poorly handled and at times humiliat-

ing to the country.

An official in the prime minister's office asked, "Do you know the word 'imperialist'?" an expression conveying a wheeling merchant's eager desire to please a customer.

"Realistically, that's not the way diplomacy should be carried out," he said.

An agreement for the Gorbachev visit was worked out in September by the Soviet foreign minister, Eduard A. Shevardnadze, and the Japanese foreign minister, Tadashi Kuramata.

Japanese diplomats say that Mr. Gorbachev put off his decision to visit Japan for several reasons.

One was the failure of the Reagan-Gorbachev meeting in Reykjavik, which led the Kremlin to postpone new initiatives.

Tokyo, worried by Soviet efforts to expand its military presence in Asia, has sought a role in promoting talks between Washington and Moscow. The installation of intermediate-range nuclear missiles near the Soviet Union's eastern frontier deeply concerns Japan.

A Foreign Ministry official said, "The Soviets haven't fixed their basic stance with the U.S., so they can't deal with Japan."

Sources said another reason for calling off the trip was that Mr. Gorbachev was not convinced that talks with Mr. Nakasone would bring tangible results. The Russians want a commitment from Japan to help pay for Siberian development projects, diplomats said.

"Gorbachev took home nothing from his talks with Reagan in Reykjavik, so failure in Japan could backfire on him domestically," the Foreign Ministry source said.

Analysts also speculate that Mr. Gorbachev sees little advantage in meeting Mr. Nakasone because he is considered by many to be a lame duck who will leave office next fall.

As for a role in Eastern Europe, Japan has had only a fledgling economic interest in the area. But Japanese businesses are looking at the East Bloc as a potential market for industrial sales, since exports have slowed to the United States and Western Europe because of the high value of the yen.

The Japanese press reported last week that Mr. Nakasone would extend a \$200 million credit to Poland to help build a Japanese-designed automobile plant, but Japanese officials called the reports inaccurate.

Meeting With Honecker

Mr. Nakasone arrived Monday evening in East Berlin and conferred with Erich Honecker, the East German leader. Reuters reported from Berlin.

Maneuvers at Panama Canal

The Associated Press

LAGOS — Secretary of State George P. Shultz met with Nigerian officials on Monday to discuss political and economic issues after encountering critical editorials and sharp questions from African journalists in Kenya.

"Absolutely not," he replied. "I think that the U.S. position on South Africa is a very good one. I have my own reservations, as the president does, about going too far with withdrawing ourselves, which is what sanctions do, from the contributions we can make to blacks, among others, in South Africa."

No Role for Libya in Chad

Mr. Shultz called on Monday for the withdrawal of all foreign troops from Chad. Agence France-Presse reported from Lagos. On arrival, Mr. Shultz said: "We support the idea that foreign forces in Chad should leave and we see no role there for the Libyan forces."

France also has troops in Chad, at the request of Chad's government.

Casualties Mounting In Iran-Iraq Fighting

Reuters

MANAMA, Bahrain — Communique from both sides in the Iran-Iraq war indicated mounting casualties but little change in advantage on the battlefield.

Iraq said an advance Iranian contingent was trapped in a narrow strip of land southeast of the city of Basra after a thrust across the border Friday.

"The invading force is now engulfed in the killing zone of the 3d and 7th Iraqi Army corps," said General Adnan Khairallah, Iraq's deputy prime minister and defense minister.

He said that the encircled troops faced "furious" Iraqi fire power in a "cannibalistic" enclave and urged survivors to surrender.

Tehran radio, meanwhile, said that the elite Iraqi presidential guard had been thrown into the conflict after the 3d Army corps, defending Iraqi lines near Basra, was mauled.

Typhoid Kills 24 in Kenya

The Associated Press

NAIROBI — A typhoid outbreak in western Kenya has killed 24 people in the past month and another 193 have been diagnosed as having the disease, officials said. They said polluted drinking water was responsible.

DEATH NOTICE

Mme Henriette Baudis, ses enfants Christiane, Georges et Didier, leurs familles, leurs amis, vous font leurs derniers devoirs

Monsieur Jacques Broïdo

1908 - 1987

La messe de sépulture a eu lieu en l'église Saint-Paul à Grange-Canal, lundi 12 janvier à 15 heures. Cet avis peut faire de faire partie



Jiang Qing at her 1980 trial for her role in the Cultural Revolution. She received the death sentence, which later was commuted to life.

Jiang Qing Has Cancer, Beijing Newspaper Says

Reuters

BEIJING — The imprisoned widow of Chairman Mao has throat cancer and may be close to death, according to an official Chinese newspaper.

The weekly Digest newspaper published in the east China city of Hefei said Jiang Qing, 72, who has been in prison since shortly after Mao's death in 1976, was undergoing treatment for cancer of the throat in a top Beijing hospital and may be close to death. It gave no further details.

No casualties were reported in the attack.

Jaruzelski Is Received By Cossiga

Reuters

ROME — The Polish leader, General Wojciech Jaruzelski, began a three-day visit to Italy on Monday, his first official visit to the West since imposing martial law in December 1981.

He had lunch with President Francesco Cossiga soon after his arrival and later held talks with Prime Minister Bettino Craxi and Foreign Minister Giulio Andreotti. He was scheduled to meet with Pope John Paul II on Tuesday.

No details of the talks Monday were released, but Polish diplomatic sources said General Jaruzelski wants the trip to begin a process of improvement of Poland's relations with the non-Communist world.

Many Western nations were strongly critical of Poland's imposition of martial law in December 1981. Martial law was formally lifted in July 1983, but the constitution was amended to allow the proclamation of a state of emergency to deal with internal crises. The penal code was amended in 1985 to provide for increased penalties for political offenses.

The Polish leader also is expected to discuss increased business and industrial cooperation with Italy in an attempt to reinvigorate his country's economy. He is to meet business leaders Tuesday.

The Italian government sent troops into the north last month in an effort to expel the Libyans from the country. The government troops have been fighting alongside former rebels who were once allied to Libya but switched to support President Hissene Habre in October.

France has refused to send combat troops north of the 16th parallel.

Paris Reports Attack by Libyan Forces On French, Chadians at Military Base

Agence France-Presse

PARIS — Libyan forces attacked Chadian and French troops late Sunday at a military base in Kaisi, in a French-defended sector of eastern Chad.

The Defense Ministry said Monday. It described the attack as "two 15-minute harassing actions."

Several dozen French soldiers were in Kaisi at the time of the attack to provide logistical support to the Chadian Army, but none were hurt, ministry officials said.

Kaisi lies just south of the 16th parallel, which for more than three years has separated territory in the south held by the French-backed government in N'djamena from areas occupied by Libya and its Chadian rebel allies.

Earlier, sources in N'djamena said that Libyan forces fired a large number of 107mm shells during the attack, but the shells fell outside the Kaisi military base. There were no Chadian or French casualties, the sources said.

They said the Chadian government forces responded immediately, repulsed the attackers and pursued Libyan units. The French troops took part in the fighting, they said.

In N'djamena, witnesses said two French fighter-bombers and a reconnaissance plane took off from the capital early Monday, after the attack, and headed north.

The N'djamena government sent troops into the north last month in an effort to expel the Libyans from the country. The government troops have been fighting alongside former rebels who were once allied to Libya but switched to support President Hissene Habre in October.

France has refused to send combat troops north of the 16th parallel.

Before beginning his trip, Mr.

Shultz praised Kenya for achieving economic progress and political stability.

But the Kenya Times, published by the country's only political party, criticized U.S. policy in southern Africa.

France also has troops in Chad, at the request of Chad's government.

Before leaving East Africa, Mr.

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the withdrawal of all foreign troops from Chad. Agence France-Presse reported from Lagos. On arrival, Mr. Shultz said: "We support the idea that foreign forces in Chad should leave and we see no role there for the Libyan forces."

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Suzy's Party People

International Herald Tribune

NEW YORK — The gossip columnist Suzy (real name Aileen Meile) has been called by Town and Country: "The diarist of her times, the Saint-Simon of the moment, the Pepsys of the powerful, fashionable and opinionated."

Suzy has been on the social beat day in, day out for more than 25 years and "Dahling, it ain't easy." How many parties has she been to? "If you consider that I've been going out for 25 years almost every night — well, you figure it out."

Born in El Paso, Texas, Suzy comes across as the quintessential Southern belle com-

HERE DORSEY

plete with a drawl, lush contours and masses of blonde hair cascading around a small, triangular face. But make no mistake. Behind this facade, there's a first-class reporter — witty, alert and nobody's fool.

She started her column in the late '50s, first for the New York Mirror "and when that fell apart, I went on to the Journal-American. When that folded, I went over to the New York Daily News where I stayed all these years until I got this magnificent offer from the New York Post a little over a year ago." From the start, "My editor just told me: 'Keep breathing and file copy.'

The "Suzy" column is the first thing millions of readers look at in the New York Post and about 80 other newspapers because of a voyeur's fascination in what The New Yorker once called "the Suzy people." These include millionaires, billionaires and billionaires, social celebrities, fashion designers, superachievers and café society — or what's left of it.

From her salon on the Upper East Side, Suzy said she covers parties because, "Well, it's where all the fun, the glamour, the gossip is — the beautiful people, the doers. Many are very worthwhile — tycoons, captains of industry, corporate giants. I cover their lives in the evening, but dahling, it's a job. It's my job. If I were a sportswriter I'd write about athletes. This is my beat and it's glamorous and I often enjoy it. Not always. But I look at it absolutely as a job because I'm a reporter and a columnist."

Working through a network of "friends," Suzy comes up with all kinds of goodies. Such as Marlene Dietrich calling "her good friend Nancy Reagan from Paris to send love and say how thrilled she was that the president was doing so well."



Gossip columnist Suzy: "Keep breathing and file copy."

Suzy often is first with the latest scandals, broken marriages, romances, and she can describe every chic party in and out of town.

This season, she dropped the bomb "but gently" on the scandal of the year — the separation of Mercedes Bass from her husband, the Texan millionaire Sid Bass. "It was one of my biggest stories because there's so much money involved. A big, rich marriage is what impresses society — even if the man is Quasimodo," she said. "Look, if I went out and wrote a best seller, people would shake hands and say: 'Nice, Suzy.' But if I married a millionaire, now, that would be a story. If Mercedes had left her husband for some brain surgeon from Connecticut, nobody would have cared. But the fact that there is so much money involved fascinates people."

What has changed in the last 25 years, according to Suzy, is that "there's never been a time when money — masses of it — was so much a part of the social life of this city. There's never been so much money around. There's a whole influx of new blood and new money."

"We've used to the Vanderbilt's and the Astors but they can no longer compete with these billionaires — John Kluge, who's worth \$2 billion, Alfred Tanbom, close to \$1 billion, the Gattys. Most of these people live somewhere else — in San Francisco, Virginia or Michigan but they keep splendid apartments in New York and dominate the scene."

Mrs. Charles Englehardt also has great style. Everything about her tells of security, self-possession, wonderful flair."

Suzy, who can chat in four languages, never takes notes. "If it's a small party, I can remember everybody and what they wore," she said. "If it's a big party, I have to have the guest list."

Unlike Louella Parsons and other famous gossip columnists, Suzy succeeds in being funny without being cruel, a feat of sorts in a business that feeds on bitchiness. "It's a very delicate balance," she said. "When I first started writing for the Mirror, my editor said to me: 'I have never seen anyone walk a tightrope the way you do.' I'm never saccharine-sweet but I'm never cruel. It's an instinct, I guess. I know just how far to go. I could be a bitch. It's so easy. But within reason, I always ask myself: 'Would you like to read about this person?'

"Why rub the salt? This doesn't mean I'm an angel, but I try to be decent so that when I walk into a room I don't have to cringe."

All this could end up in sordid copy if it were not for Suzy's sparkling style, which she has been developing for years. For instance, describing a party honoring a philanthropist, she wrote: "Mildred Wilson, who . . . knocked them dead in her Givenchy lame print . . . looked every bit as delicious as the mashed potatoes, which were the second biggest hit of the party."

Her favorite is the party where the hostess tells her from the start: "Please, don't write about this." "Then, dahling, I can sit back, relax and enjoy myself like another human being," she said.

Jazz Lives: Sweet Notes and Sour

By Mike Zwerin

International Herald Tribune

PARIS — Two biographies published this month in London reveal opposing approaches to jazz literature and to jazz.

One way is to play it safe and clean. Geoffrey Smith's "Grapelli" (Pavillon) is the organic way to deal with this violinist who "always assumed that he kept the customers happy," who would play "absolute palm court music" if that was the only work available.

Like Dave Brubeck with Paul Desmond and Dizzy Gillespie with Charlie Parker — survivors and the doomed who improvised together — Stéphane Grappelli was very different from his longtime sidekick Django Reinhardt, for whom an unswinging note was like a personal insult. Smith does a good job of explaining how the abstract beauty of music, improvisation in particular, can overcome personal conflicts and reflect the personality of the creator.

Despite good historical information and anecdotes, the book reads like a 213-page commercial, with such testimonial as that Grappelli is "beloved by everybody."

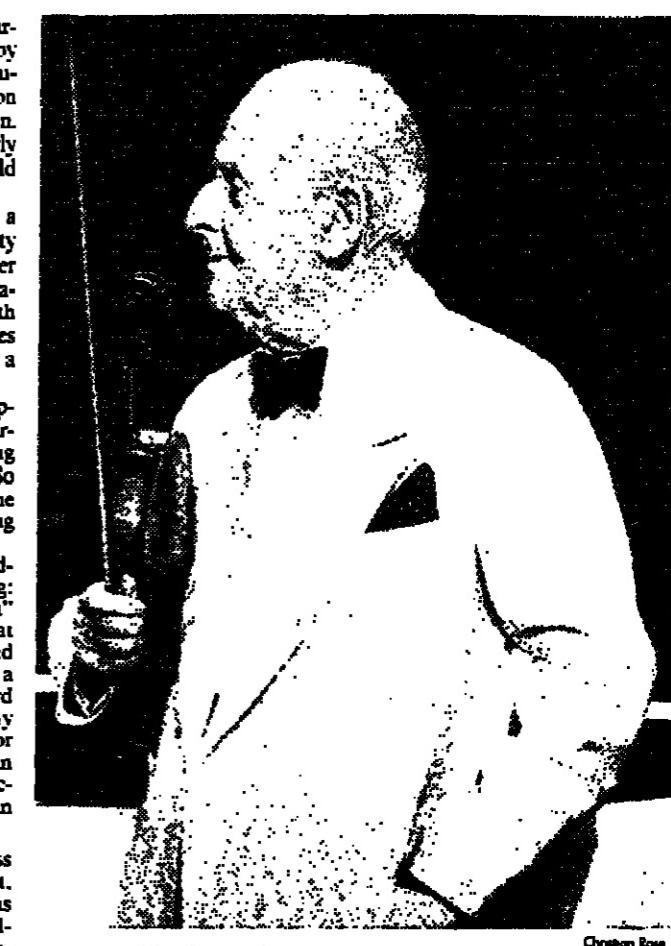
Grappelli started as a teen-ager busing on the streets of Paris. For the rest of his life he preferred to play schmaltz not working. He has that rare ability to make whatever he plays personal, fun, musical. The older he gets — he turns 79 on Jan. 26 — the younger he sounds.

He is one of the most durable, interesting and elegant improvisers, but he is not beloved by everybody. Like all of us, Grappelli has his foibles and quirks. He can be difficult. He's made mistakes and errors, though you may never know it from these pages.

At the same time this book is strangely representative of the subject, who almost never plays a "wrong" note. Grappelli plays a musical heroes are capable of excess of both love and hate. They threaten violence, miss career opportunities and are reduced to anachronisms. His loving portraits of successful British jazzmen like Humphrey Lyttelton and George Godbold finds human flaw more interesting than perfection, losers more interesting than winners.

Before becoming a more or less successful free-lance journalist, editor and author in his 50s ("it was the typewriter or the dole"), Godbold was a clerk, seaman, sign salesman, house painter and meter reader (dogs did not like him) in between managing underpaid bands and being an unsuccessful agent.

His musical heroes are capable of excess of both love and hate. They threaten violence, miss career opportunities and are reduced to anachronisms. His loving portraits of successful British jazzmen like Humphrey Lyttleton and George



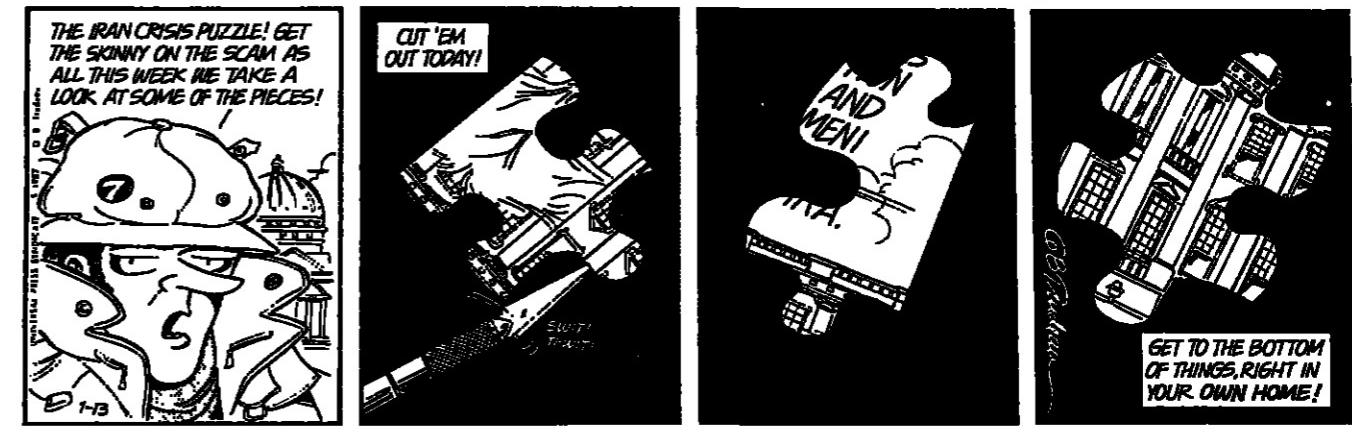
Stéphane Grappelli: "Like drinking tea."

Melly are not without pimplies. Mick Mulligan led a "top-driking band." Ronnie Scott — his boss, perhaps — is "well-versed in the art of getting others to peal his grapes."

Godbold's book, "A History of British Jazz," contained "inexcusable goofs . . . I had relied too much upon my memory, had not cross-checked and had perpetuated the mistakes of others. I deserved the brickbat."

By exhibiting his failures and insecurities and not hiding the frailties of others, this "loser/pessimist" adds a bit of truth to a world sorely in need of it. And it is a jazz book by a man who understands that jazz is struggle, not perfection.

DOONESBURY



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NYSE Most Actives				
Vol.	High	Low	Last	Chg.
Philip Morris	324,972	1336	1254	+ 1%
USX	254,272	245	235	+ 1%
General Mills	211,712	251	245	+ 1%
AT&T	205,272	251	245	+ 1%
Texaco	200,272	245	235	+ 1%
Exxon	198,272	245	235	+ 1%
Occidental Petroleum	211,272	319	312	+ 1%
RJR Nabisco	184,272	251	245	+ 1%
Chevron	184,272	251	245	+ 1%
Philip Morris	157,272	764	754	+ 1%
AT&T	144,272	251	245	+ 1%

Market Sales				
Vol.	High	Low	Last	Chg.
NYSE 4 P.M. volume	184,902,000	225,442,000		
NYSE prev. close, close	14,176,000			
Amer 4 P.M. volume	14,176,000			
Amer 4 P.M. close, close	14,176,000			
OTC 4 P.M. volume	12,846,200			
OTC 4 P.M. close, close	12,846,200			
OTC 4 P.M. volume down	11,729,5118			
OTC 4 P.M. close up	11,729,5118			
OTC 4 P.M. volume up	11,729,5118			
OTC 4 P.M. close down	11,729,5118			

NYSE Index				
Vol.	High	Low	Last	Chg.
Composite	142,24	142,27	142,31	+ 0.2%
Industrial	172,24	171,24	171,24	+ 1.4%
Transport	127,24	127,24	127,24	+ 1.4%
Finance	154,24	154,24	154,24	+ 0.2%

Monday's NYSE Closing				
Vol.	High	Low	Last	Chg.
Advanced	424	422	422	-1
Declined	225	222	222	-1
Unchanged	55	55	55	0
Total Issues	1,074	1,074	1,074	-1
New Lows	5	5	5	-1

AMEX Diary				
Class	Prev.			
Advanced	424			
Declined	225			
Unchanged	55			
Total Issues	1,074			
New Lows	5			

NASDAQ Index				
Class	Prev.	High	Low	Chg.
Composite	386,46	387,19	386,39	+ 0.2%
Industries	386,46	387,19	386,39	+ 0.2%
Finance	386,46	387,19	386,39	+ 0.2%
Insurance	425,00	425,20	424,90	+ 0.1%
Utilities	425,00	425,20	424,90	+ 0.1%
Banks	425,00	425,20	424,90	+ 0.1%
Tronac	380,29	380,45	380,15	+ 0.1%

AMEX Most Actives				
Vol.	High</			

Statistics Index	
AMEX stocks	P.12
NYSE stocks	P. 7
Canadian stocks	P. 8
Currency rates	P. 9
Commodities	P. 10
Options	P. 10
OTC stock	P. 10
Overseas	P. 10
Other markets	P. 10

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Dow Average Up 3.51
To 2,009.42. Page 7.

4 P.M.
PRICES UP

Page 9

INTERNATIONAL STOCK MARKETS

Denationalizations in Chile Help Pump Up the Bolsa

By JUAN DE ONIS

International Herald Tribune

SANTIAGO — The Chilean government's denationalization of public-sector enterprises has helped pump up the local stock market, which collapsed along with the rest of the economy in 1982.

Denationalization has transferred nearly \$1 billion in shares to new owners, mostly since July. These include workers in the privatized enterprises and small investors, as well as pension funds and other big institutional investors seeking control of some companies.

"We believe there are more than 200,000 owners of stock now in the 220 companies that are traded on the exchange," Eugenio Blanco, president of the Santiago exchange, or Bolsa de Valores, said recently.

"The entry of new companies to trading on the exchange, particularly from the state sector, has increased volume, and stock prices rose steadily last year," Mr. Blanco said.

Stock trading volume rose more than 500 percent last year from 1985, to about \$300 million. The IPSA index (Price Index of Selected Stocks) for the 40 most heavily traded stocks rose 160 percent, after adjusting for 20-percent annual inflation.

This was the best performance by any Latin American stock market last year, according to Fernando Ovalle, a partner in one of the 30 brokerages that are trading members of the Santiago exchange.

Four years ago, the Santiago exchange fell flat on its back as Chile's economy collapsed. Trading volume and share values plunged so severely that stock transactions in 1985 represented only 1.6 percent of the value of the fixed-income and short-term securities that are also traded on the exchange.

Stocks are attracting renewed interest because dividend yields of many shares are above current rates of inflation, and capital gains in a rising market, in practice, are virtually untaxed. Fixed return securities are taxed at the source.

BUT STOCKS CONTINUE to attract only a small fraction of the investments in the capital market, which is dominated by Treasury securities, mortgage notes and bank certificates of deposit. These interest-bearing papers attracted about \$6 billion last year, or 95 percent of the trading on the exchange.

One of the reasons is the dominance of the worker pension fund administrations set up in 1979. These privately managed, but government-regulated, funds have been allowed to invest only 2 percent of their assets in shares of state-owned (including now denationalized) companies, and none in private companies.

The pension funds now have \$2 billion in assets, and government regulators expect this to reach \$10 billion in the year 2000. As assets grow, Mr. Blanco said, the funds ought to be authorized to invest more heavily in the stock market.

"National savings are going to grow through the funds and private companies and this should provide an increasing inflow of capital to the stock market," he said.

Mr. Blanco, who is a fruit farmer and partner in a lumber company as well as a stock broker, does not expect large foreign investment in Chilean equities. Local laws discourage portfolio investment by nonresidents, requiring them to register capital at the central bank.

But Citicorp, which has a bank branch here, has bought a seat on the stock exchange — a process that includes a \$200,000 fee.

Another way foreigners may begin to play a role on the bourse is by exchanging Chilean debt for equity in Chilean companies, known as risk investment. The central bank has registered \$1.2 billion in such conversions, including \$10 million of American Express Bank's \$200 million Chilean debt portfolio, and smaller

See CHILE, Page 13

Currency Rates

Cross Rates

	U.S.	DM	FF	HL	Gdr.	SF	Yen
Amsterdam	1.515	1.712	2.020	1.418	1.504	12.968	125.45
Brussels	1.525	1.722	2.030	1.428	1.514	12.975	125.52
Frankfurt	1.505	1.702	2.010	1.408	1.503	12.955	125.12
London (b)	1.495	1.692	2.000	1.398	1.492	12.935	124.92
Milan	1.547.70	1.797.00	2.128.00	1.457.20	1.546.00	127.25	134.45
New York (c)	1.525	1.775	2.085	1.435	1.524	12.905	124.49
Tokyo	1.522	1.774	2.084	1.434	1.523	12.895	124.48
Zurich	1.505	1.758	2.067	1.418	1.512	12.885	124.35
1 ECU	1.064	1.231	1.608	1.442.23	1.234.00	12.769	124.95
1 SDR	1.236	1.525	2.030	1.713	1.524	13.045	125.05

Chutes in London and Zurich. Relying on other European currencies, New York relies on P.M.

(a) Commercial trade. (b) Amounts needed to buy one unit of U.S. dollars. (c) Amounts needed to buy one unit of American Express Bank's \$200 million Chilean debt portfolio, and smaller

dollar (*). Units of 100 (c) and 1,000 (b) Yen. N.G.: not quoted; H.A.: not available.

— See CHILE, Page 13

French officials supported their optimism by pointing out that West Germany had agreed to reverse its position and revalue, and that new cooperation agreements had been reached.

French officials supported their optimism by pointing out that West Germany had agreed to reverse its position and revalue, and that new cooperation agreements had been reached.

• New downward pressure on the franc will continue plaguing the conservative government of Prime Minister Jacques Chirac, despite policies aimed at reducing deficits and inflation. Sources cited current labor unrest as well as the growing gaps between France and West Germany in such areas as inflation, export growth and investments.

• The outlook already has been clouded for the short-term ability of the EMS to resist a new currency realignment, which some bankers and traders in Paris and Frankfurt predicted Monday could occur in several months.

• But French officials disagreed.

"We got what we needed," Mr. Balladur said at a news conference in Paris just after his return.

The agreement, which observers said represented a victory for France, followed last week's acrimonious debate in which French leaders repeatedly insisted that it was up to West Germany to revalue the DM because of what Mr. Balladur described as "speculative forces" attracted to it.

Judging the overall agreement, some observers were dubious.

"What we observed this weekend was patchwork," said J. Paul Horne, European economic analyst for Smith, Barney, Harris Upham & Co., a New York investment bank.

A senior official at one of West Germany's largest banks shared his doubt. "We fully understand he political pressure the French and German governments are under at the moment," the banker said. "But it is a safe bet that this agreement won't hold for a full year."

West Germany and France also agreed on "adjustments" in payments to both countries' farmers stemming from the EMS accord, which will be taken up by EC agriculture ministers, Mr. Balladur said.

Several foreign diplomats in Paris also speculated that France may also have reassured Bonn that it favors Siemens AG of West Germany over competing bids by U.S., Dutch and Swedish companies for the acquisition of a French telecommunications company.

Although Mr. Balladur is known to favor Siemens, his aides denied that the controversial question of control of Cie. Générale des Télécommunications was raised during the talks in Brussels.

Judging the overall agreement, some observers were dubious.

Balladur's reference to a drop in interest rates, which French officials said would occur first in Germany and, possibly, later in France.

"Relieving the speculative pressures on the Bundesbank improves the prerequisites for a limited drop in money market rates," Mr. Stoltenberg said, while emphasizing that West Germany was not committed to any specific action on interest rates.

Most banking and diplomatic sources emphasized that neither the French nor West German governments, whatever their intentions in the monetary sphere, can change the fundamental nature of their economies, nor of their growing disparities, which fueled the dispute between the two governments.

Interest Rates

Key Money Rates Jan. 12

	DM	Fr.	FF	HL	Gdr.	SF	Yen
1 month	6.4-6.5%	4.20%	5.20%	5.20%	5.20%	5.20%	12.52*
2 months	6.4-6.5%	4.10%	5.10%	5.10%	5.10%	5.10%	12.52*
3 months	6.4-6.5%	4.00%	5.00%	5.00%	5.00%	5.00%	12.52*
6 months	6.4-6.5%	3.90%	4.90%	4.90%	4.90%	4.90%	12.52*
1 year	6.4-6.5%	3.80%	4.80%	4.80%	4.80%	4.80%	12.52*

Sources: Morgan Guaranty (other), D.M., SF, Pound (ECU), London Bank (UK), Banque Nationale de Paris (France), Bank of Tokyo (Japan); IMF (SDR); BAAI (other, rival, different).

Figures are estimates. Interbank demands of \$1 million minimum for equivalent.

Interest Rates

Asian Dollar Deposits Jan. 12

	1 month	2 months	3 months	4 months	1 year
Swiss	5%	5%	5%	5%	5%
France	7%	7%	7%	7%	7%
UK	7%	7%	7%	7%	7%
Japan	7%	7%	7%	7%	7%
Other	7%	7%	7%	7%	7%

Sources: Merrill Lynch (Asia); Telerate (UK); London Bank (Japan); BAAI (other).

Figures are estimates. Interbank demands of \$1 million minimum for equivalent.

Gold

Interest Rates

	A.M.	P.M.	CNY
1 month	11	11	11
3 months	11	11	11
6 months	11	11	11
1 year	11	11	11

Sources: London Bullion Market Association, Credit Lyonnais.

Figures are estimates. Interbank demands of \$1 million minimum for equivalent.

Texas Air To Merge 3 Airlines

Continental to Be No. 1 Discourter

Compiled by Our Staff From Dispatches

NEW YORK — Texas Air Corp., the largest U.S. airline company, said Monday that it would merge People Express Airlines and New York Air into its Continental Airlines subsidiary on Feb. 1.

Continental will become the third-largest U.S. air carrier with 312 aircraft serving 109 domestic airports and 32 international destinations in Europe, Mexico, Canada, the South Pacific and Japan.

Frank A. Lorenzo, Texas Air's chairman, said the merger would also make Continental the world's largest low-fare, full-service airline.

Only United Airlines and American Airlines will rank ahead of the revamped Continental in U.S. traffic and revenue.

People Express pioneered discount air travel in the United States but encountered crippling financial troubles last year when it tried to expand, and was sold to Texas Air in December for \$110 million.

Continental filed for Chapter 11 bankruptcy protection in 1983 and was later bought by Texas Air.

In Houston, Continental said it would now have more than 1,500 flights daily, with major U.S. hubs at Denver, Houston, Washington and Newark, New Jersey.

Continental signed a 10-year agreement with People Express to increase feeder traffic and provide services into the Continental flight banks at Dulles International Airport outside Washington.

Continental will do business as "Continental Express" and will sell its ownership interest in its 15-gate terminal at Dulles to Continental.

INTERNATIONAL HERALD TRIBUNE, TUESDAY, JANUARY 13, 1987

Monday's **AMEX** Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

(Continued on next page)

AMEX Highs-Lows

NEW HIGHS '98	
AmerOilGas	AmtTr shp pr
AmTrEx scrs	ArizCommerce
BAT Ind	Block Energy
ChmbDev n	CitzFst's
Dornson pfa	Datamax n
DickensonBn	ECCO II
FirstEnergy n	ForestLab's
HertfordEnt'l	HomeShop n
ImperialOil A	KeyStone w/b
PGE 262NS	PGE TRIMM
Ravenwood	RobtMkr n
ShoreBank	TasticBkng s
WIRET	

INTEGRATED TECHNOLOGY FROM NEC.



Combined strengths. The power of modern technology is the power of combined strengths.

the power of combined strengths.
NEC is a world leader of long standing in four vital areas: communications, computers, electron devices,

cations, computers, electron devices, and home electronics.

Our innovative merging of these separate areas isn't surprising if you consider our experience.

consider our experience.

More than 30 years in computers, with products ranging from super-computers to personal computers. Over 85 years in communications, from business communications to satellite communications systems. NEC microwave communication links alone are extensive enough to circle the globe 45 times.

And intensive research and development efforts have made NEC the world's top-ranked producer of the sophisticated semiconductors so crucial to the integration of computers and communications.

Our commitment to an integrated "C&C" - computers and communications - technology provides answers to the networking and office automation needs of modern business. It also brings the power of integrated technology to the home. There are NEC products - from TV sets to home computers - designed to increase your enjoyment and understanding of the modern world.

In all, NEC manufactures over 15,000 products that are used in more than 140 countries. All are part of our integrated C&C technology.

Just as important as our wide range of products, NEC offers an unsurpassed combination of reliability, quality, and innovation. And a determination to make the NEC products you buy today a sound investment for the future.

Contrast The Recession Is Dismal

NEW YORK — The dollar closed sharply lower Monday across the board in New York after a weaker-than-expected revaluation of the Deutsche mark dealers said.

They said that because the mark was revalued by only 3 percent, heavy capital outflows from West Germany failed to materialize and sentiment for the U.S. currency remained overwhelmingly bearish.

Widespread expectations that the U.S. trade gap would rise to yet another record for December also weighed on the dollar.

American also switched back to the dollar in Europe, where it ended the day at a six-year low against the Deutsche mark and a seven-year low against the Swiss franc.

In New York, the dollar closed at 12,960 DM, down from 1,918 Friday; at 1,865 Swiss francs, down from 1,606; at 157.40 yen, down from 153.30; and at 6,306 French francs, down from 6,398. The

point was also stronger, at \$1,4870 from \$1,4775 Friday.

Dealers in Europe said the dollar is expected to ease further as bearish sentiment persists.

They said the market was refocusing on economic fundamentals

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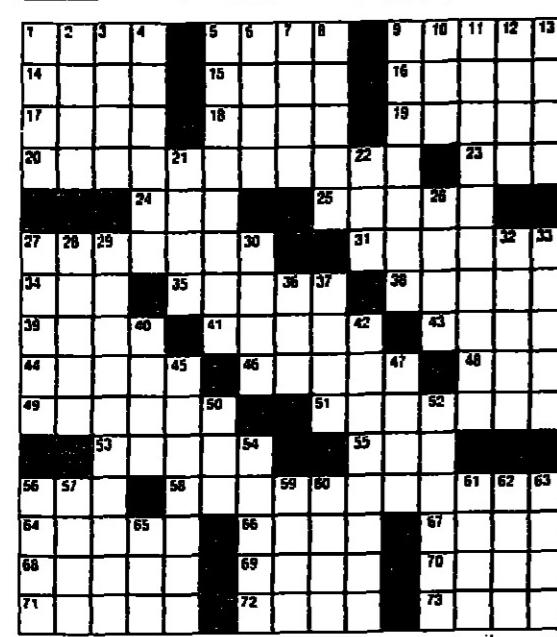
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ACROSS

- Unskilled persons
- Comic Wilson
- Havana, e.g.
- "... cost most": Louis XIV
- Sardinian coins
- Worship
- Provender
- Austen novel
- For rent
- Snoopy's aerial adversary
- "Kapital": Mars
- Work unit
- One-man boat
- Pleasure-loving
- Tape or wire joining
- Former hockey All Star
- Kind of owl
- TV's — Wences
- Longest sentence
- Understanding of
- Exchange premium
- Moves quickly
- Textile workers
- Purpose
- Mexican dish

DOWN

- Adroit
- The former Deseret, to an extent
- Just sufficient
- Kind of record
- Reaching maturity
- Branch
- "La Douce"
- Boscs
- Herbal plants
- Nuptials response
- Football play
- Arabian princes
- Softens by soaking
- Peter Pan's adversary
- Word of surrender
- Pisa's river
- "Winnie Pu": Lenard
- Merry Widow composer
- Arch villain
- Firewood measure
- Creates
- Eat away
- Minor street feeder
- North Sea
- Hard, yellow cheese
- Prior
- Kitchen gadgets
- Swedish explorer Hedin
- Distinctive time period
- Rules of conduct
- Petty quarrels
- Ism
- Rare person
- Adjust exactly
- Herbal butter
- Spanish cooking pot
- Seaweed
- Vegas

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DENNIS THE MENACE



"TEACHER DOESN'T KNOW MUCH. SHE ASKS ME A LOT OF QUESTIONS. I GUESS THAT'S WHY SHE'S ONLY TEACHIN' KIDDIEGARTEN."

JUMBLE

THAT SCRAMBLED WORD GAME by Hank Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

TOIDI

WYRNE

LAASI

WYRNE

CHALLUN

WYRNE

UPLARB

WYRNE

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Answer: **ONEES** (Answers tomorrow)

Yesterday's Jumble: MAXIM PUTTY BELLOW GARUC

Answer: How the scoundrel let the cat out of the bag — ONE CLAW AT A TIME

WEATHER

EUROPE

ASIA

AFRICA

LATIN AMERICA

AMERICA

MIDDLE EAST

OCEANIA

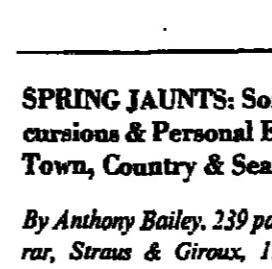
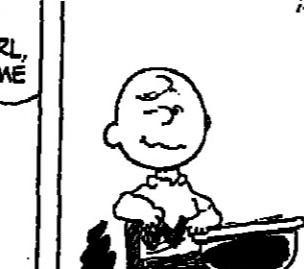
TUESDAY'S FORECAST

Temp. 9-12 (11-10). LONDON: Cloudy. Temp. 4-11. MADRID: Partly cloudy. Temp. 11-14. ROME: Rain. Temp. 10-13. TEL AVIV: NA. KURASHI: Cloudy. Temp. 13-15 (10-5). BANGKOK: Partly cloudy. Temp. 22-27 (20-21). KATHMANDU: Partly cloudy. Temp. 12-16 (10-11). SINGAPORE: Rain. Temp. 24-26 (22-23). TOKYO: Snow. Temp. 4-6 (8-10).

PEANUTS

IF I WINK AT THAT LITTLE RED HAIRIED GIRL, MAYBE SHE'LL NOTICE ME

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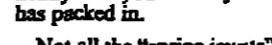
BLONDIE

HOW WOULD YOU DESCRIBE YOUR MARRIAGE?

SECURE, PASSABLE, SHAKY...?

I DON'T EVEN HAVE A WORD FOR THAT

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